

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6494

BILL NUMBER: HB 1146

DATE PREPARED: Dec 26, 2000

BILL AMENDED:

SUBJECT: Sales Tax on Motor Fuel.

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FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides that 59.03% of the sales tax on gasoline and special fuel tax shall be distributed to counties, cities, towns, and the Indiana Department of Transportation (INDOT) instead of being deposited into the state General Fund. The bill provides that these sales tax distributions may only be used for the same purposes for which money distributed from the Motor Vehicle Highway account may be expended.

This bill increases the amount of money payable to local units of government from the first \$25,000,000 of gasoline tax revenues and the first \$25,000,000 of special fuel tax revenues (after certain other payments required by current law) by increasing the share payable to counties, cities, and towns from 60% to 70% and reducing the share payable to the Indiana Department of Transportation (INDOT) from 40% to 30%.

Effective Date: July 1, 2001.

Explanation of State Expenditures: The bill may require minor administrative changes within the Department of State Revenue and the Auditor of State's Office. Any costs associated with these changes are expected to be minimal and to be covered using existing staff and resources.

Explanation of State Revenues: This bill changes the distribution of revenue received from the sales tax collected on gasoline and special fuels and also changes the distribution of a portion of the revenue collected from the state excise tax on gasoline and special fuels.

Sales tax distribution: Under current law, revenue from the sales tax on motor fuels is distributed, as is revenue from all Gross Retail (Sales) and Use taxes, in the following manner: the State General Fund (59.03%), the Property Tax Replacement Fund (40.00%), the Public Mass Transportation Fund (0.76%), the Commuter Rail Service Fund (0.17%), and the Industrial Rail Service Loan Fund (0.04%). This bill will change the distribution of the sales tax revenue collected from the sale of gasoline and special fuels such that

the revenues that were previously deposited in the state General Fund will instead be distributed in the following manner: 35% in the same manner as funds are distributed through the Local Road and Street Account, 35% in the same manner as the Motor Vehicle Highway Account, and the remaining 30% to INDOT. The distributions to the Property Tax Replacement Fund, the Public Mass Transportation Fund, the Commuter Rail Service Fund, and the Industrial Rail Service Fund will not change under this bill.

The sales tax on gasoline and special fuels is expected to generate approximately **\$135.8 M** in FY 2002. Of this amount, \$28M (35%) would be distributed in the same way as the Local Road and Street Account, \$28M (35%) would be distributed in the same way as the Motor Vehicle Highway Account, and \$24M (30%) would be distributed to INDOT. Due to the timing of remittance and posting of motor fuel sales tax returns, a portion of the revenue generated during FY 2002 may not be available for distribution until FY 2003.

The following table illustrates how these funds would be distributed under current law and with the changes proposed in this bill.

Estimated FY 2002 Sales Tax Revenue on Gasoline and Special Fuels, as distributed under current law and with the proposed changes.			
Fund/ Distribution	Current Law	Proposed Law	Difference
State General Fund	\$80,165,279	-0-	(\$80,165,279)
Property Tax Replacement Fund	54,321,720	54,321,720	-0-
Public Mass Transportation Fund	1,032,113	1,032,113	-0-
Commuter Rail Service Fund	230,867	230,867	-0-
Industrial Rail Service Fund	54,322	54,322	-0-
<i>For local distribution:</i> Local Road and Street Account	-0-	28,057,848	28,057,848
<i>For local distribution:</i> Motor Vehicle Highway Account	-0-	28,057,848	28,057,848
Indiana Department of Transportation	-0-	24,049,583	24,049,583
Total	\$ 135,804,301	\$ 135,804,301	-0-
Note: This table assumes twelve months of sales tax revenue collection. The timing of the posting and remittance of funds could cause the distribution of up to 20% of the projected amount to be delayed until FY 2003.			

Future sales tax collections on gasoline and special fuels are contingent upon the price and quantity of fuel consumed by motorists in Indiana. The above estimate is a projection based on historical consumption data provided by the Department of State Revenue and projected fuel prices from the U.S. Department of Energy, Office of Energy Information. The data were adjusted for inflation and the expected growth in Indiana income. It is important to note that fluctuations in the price of gasoline will affect the amount of sales tax revenue collected.

State tax on gasoline and special fuels: Under current law, the first \$25 M of gasoline tax revenues (after other payments required by law) is distributed in the following manner: 60% to counties, cities, and towns

eligible to receive funds from the Local Road and Street account and the Motor Vehicle Highway account and 40% to INDOT. The first \$25 M of the tax on special fuels (after other required payments) is distributed in the same manner as the gasoline tax revenues above. This bill will change the distribution of these revenues such that 70% of the first \$25 M collected from the gasoline tax **and** the special fuel tax will be distributed to counties, cities, and towns eligible to receive funds from the Local Road and Street account and the Motor Vehicle Highway account and 30% will be distributed to INDOT. This section of the bill will result in a reduction in INDOT funding of \$5 M, with a corresponding increase in revenue to counties, cities, and towns of \$5 M.

The table below shows how these funds would be distributed under current law and with the changes proposed in this bill.

Distribution of the first \$ 25 M collected from the tax on gasoline and the first \$ 25 M collected from the tax on special fuels under current law and with the proposed changes.			
Fund/ Distribution	Current Law	Proposed Law	Difference
<i>For distribution as the:</i> Local Road and Street Account	\$15,000,000	\$17,500,000	\$2,500,000
<i>For distribution as the:</i> Motor Vehicle Highway Account	15,000,000	17,500,000	2,500,000
Indiana Department of Transportation	20,000,000	15,000,000	(5,000,000)
Total	\$ 50,000,000	\$ 50,000,000	-0-

Explanation of Local Expenditures:

Explanation of Local Revenues: Under this proposal, it is estimated that local entities will receive approximately **\$61.1 M** in additional revenue for road and highway purposes. Of this amount, **\$56.1 M** is expected to come from the sales tax on gasoline and special fuels. However, because of the timing and remittance of the funds, not all the revenue collected in FY 2002 may be available for distribution by the end of the fiscal year.

Local entities are estimated to receive approximately \$28.8 M in CY 2002 and \$65.8 M in CY 2003 in additional revenues as a result of this proposal. Detailed information regarding the proposed distributions to local entities is available from the Legislative Services Agency.

State Agencies Affected: Indiana Department of Transportation; Department of State Revenue; Auditor of State.

Local Agencies Affected: All Counties, Cities, and Towns.

Information Sources: Department of State Revenue; U.S. Bureau of Labor Statistics; U.S. Census Bureau; U.S. Department of Energy, Energy Information Agency.